

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 470 - HB 389

March 18, 2013

SUMMARY OF BILL: Prohibits state entities from accepting, receiving, or applying for federal funds if such funds are conditioned upon “unreasonably demanding or intrusive restrictions, limitations, or conditions imposed by federal law or regulations”. Federal funds the state currently receives will be exempt. Requires any agency applying for federal funds to submit a written report to the Fiscal Review Committee (FRC) and Office of Legislative Budget Analysis (OLBA), at least 20 days prior to application for such funds, providing information regarding restrictions, limitations, and conditions imposed by the federal government in conjunction with the receipt of such funds. Requires the staff of the FRC and the OLBA to review these reports and report to the Finance, Ways, and Means Committees of the Senate and House of Representatives regarding any funds that would be subject to the prohibitive conditions.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$10,000/One-Time
\$208,400/Recurring**

Other Fiscal Impact – A recurring reduction of federal funding to multiple state departments and agencies reasonably estimated to exceed \$284,436,000 per year. This amount was based on information provided by the University of Tennessee, the Board of Regents, the Department of Intellectual Disabilities, and the Department of Mental Health. The actual reduction in federal funding could be substantially more than \$284,436,000 per year.

Assumptions:

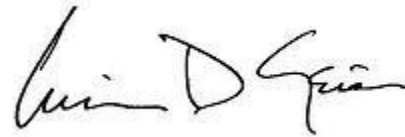
- The Tennessee Emergency Management Agency will require one additional position to manage the information required to be submitted to the FRC and the OLBA. The recurring increase in state expenditures for this position is estimated to be \$46,300 (\$35,000 salary; \$11,300 benefits).
- The Tennessee Department of Transportation will require one new staff person (\$60,000 salary; \$15,000 benefits) and one new clerical staff person (\$30,000 salary; \$10,500 benefits) to manage the information required to be submitted to the FRC and the OLBA. The total recurring increase in state expenditures for these positions is estimated to be \$115,500 (\$60,000 + 15,000 + \$30,000 + \$10,500).
- The Department of Corrections will require one new staff person to manage the information required to be submitted to the FRC and the OLBA. The recurring increase

in state expenditures for this position is estimated to be \$46,600 (\$35,300 salary; \$11,300 benefits). One-time costs associated with the position are estimated to be \$10,000 (desk, office space, supplies, etc.).

- The total recurring increase in state expenditures for all required positions is \$208,400 (\$46,300 + \$115,500 + 46,600).
- Based on responses from multiple state departments, the 20-day review period will significantly hinder department's ability to meet deadlines for receiving many grants.
- The University of Tennessee and the Tennessee Board of Regents indicate that each will lose approximately 80 percent of their annual grant funding as a result of delays related to the 20-day review period. The combined loss for the two entities is estimated to be \$279,536,700 for FY13-14.
- The Department of Intellectual Disabilities indicates that the 20-day review period would have resulted in the loss of at least two grants this year. They estimate the annual loss associated with the review provision to exceed \$100,000 annually.
- The Department of Mental Health indicated that they would also see a decrease in annual federal funding. The department receives approximately \$48,000,000 in federal funding annually. It is assumed that at least 10 percent of this funding, or \$4,800,000, will be lost due to delays caused by the 20-day review period.
- The total estimated recurring decrease in state revenue is estimated to exceed \$284,436,000 (\$279,536,000 UT and TBR + \$100,000 Intellectual Disabilities + \$4,800,000 Mental Health).
- The Tennessee Housing Development Authority indicates that there may be some difficulty obtaining funding quickly in the event of a natural disaster.
- Several departments indicated that they receive payments from other agencies that may decrease if funding for the other agencies decrease.
- The Commission on Children and Youth indicates that 76 percent of funding for children and families in Tennessee is from federal sources.
- It is assumed that the staff of the FRC and the OBA will only be required to receive the information about these contracts and keep such information on file for review.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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